

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

September 1948

JAN 9 1969

UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration

CURRENT SERIAL RECORDS

For
Administrative
Use OnlyANNUAL REPORT OF THE DAIRY BRANCH
Fiscal Year 1948

1947/48

The Dairy Branch, during the fiscal year 1948, carried on its regular programs relative to marketing agreements and orders, purchases, price support, inspection and grading, and market news. In addition, it participated in the Foreign Assistance program, by co-operating with the other agencies concerned, in formulating programs for the purchase of dairy products for export to countries receiving assistance.

I. Administration of Marketing Agreements (Section 32)

Marketing agreement and order activities in the fiscal year 1948 continued to expand.

The year was marked by a downward trend of milk production, and a short feed supply. This called for a critical examination of existing price-making formulas in many of the markets, and a new formula was developed and put in effect in the New England markets under regulation. This new formula relates the price of milk to index numbers measuring trends in milk production costs, consumer-buying activity, and the general price level.

During the past year, milk orders were issued for two new markets, Paducah, Ky., and Nashville, Tenn. An order was issued for the Topeka, Kans., marketing area, replacing the marketing agreement that had been effective there for several years. The LaPorte County and St. Joseph County, Ind., orders were merged into one for the South Bend-LaPorte, Ind., marketing area. On June 30, 1948, there were 30 orders in effect. Table 1 shows the number of producers, the volume of pooled milk, and the total value of pooled milk at basic butter-fat test, for these fluid milk markets.

Seventy-one hearings were held to receive testimony on new orders or on proposed amendments to existing orders. A hearing was held in June 1948 on a proposed order for the Rockford-Freeport, Ill., market, and considerable time was spent in preparing for a hearing to be held in July 1948 on a proposed order for Knoxville, Tenn. Thirty-five amendments and twenty-one suspension orders to change the provisions of existing orders were issued during the year.

New or renewed requests were received for fluid milk regulation by the Federal Government in six cities and for a Nation-wide evaporated milk order. Requests received in preceding years for programs in ten other new areas are still pending.

Seven public meetings were held pursuant to the terms of the Administrative Procedure Act, and resulted in an equal number of actions taken by various market administrators.

During the year, 36 new applications from cooperatives for qualification to participate in order activities set up under the Act, and 5 suspensions by the market administrator of cooperatives previously determined as so qualified, came up for consideration. Of the cases arising during the year or pending from former years determinations were issued on 36 cases and as of June 30, 1948 action was pending on 23.

Twenty-three petitions were received for review of order provisions, or market administrator rules issued pursuant thereto, under authority of section 8c(15) (A) of the Agricultural Marketing Agreement Act, as amended. Decisions or dismissals were issued for 62 petitions arising during the year or in former years. On June 30, 1948, action was pending on 27 cases.

Of 23 court cases started during the year, action was completed on 18. On June 30, 1948, action was pending on 15 cases, either those started this year or pending from former years.

Decisions were handed down in the following important cases:

Administrative Cases

In the Matter of Avon Dairy Company (Cleveland, Ohio - Order No. 75). In this case petitioners attacked the validity of the order as a whole on jurisdictional grounds and on the ground that findings were not supported by the hearing record. The relief requested by petitioners was denied by the Judicial Officer.

Court Cases

Decisions in favor of the Government, with fines or orders to pay sums due, were issued in the following contempt cases: U. S. v. John Velozo, dba Velozo Dairy, CA 2276 (New York, N. Y. - Order No. 27); U. S. v. Bevan's Dairy, C 725 (Dayton-Springfield, Ohio - Order No. 71); U. S. v. James Martin, CA 2277 (Fall River, Mass. - Order No. 47); and U. S. v. Alfred Nassr dba Sunshine Dairy, C 6835 (Fall River, Mass. - Order No. 47).

Dairymen's League Co-operative Association, Inc., v. Secretary, C 2666 (New York, N. Y. - Order No. 27). A District Court upheld the Judicial Officer's ruling in this case, relating to the reclassification of cream involved in multiple plant movements and involving approximately \$140,000. An appeal filed by the League is now pending in the Circuit Court of Appeals for the 2nd Circuit.

Titusville Dairy Products Company v. Anderson, 15(B), C 6660 (New York, N. Y. - Order No. 27). In a 15(A) proceeding the Secretary ruled that the New York order regulated all milk received at an approved plant notwithstanding the fact that some of the milk was never shipped to the marketing area and during some periods no milk from the plant came into the marketing area. A District Court upheld the Secretary's decision for the periods during which some milk from the handler's approved plant was shipped to the marketing area but remanded the case with instructions to reverse the ruling for the period in which no milk was shipped to the marketing area even though the plant was approved during such period. An appeal is being taken in this case.

Beatrice Creamery et al v. Secretary, 15(B), C 2615 (Wichita, Kans. - Order No. 68). A District Court upheld the Secretary's decision that the Federal Government had jurisdiction to regulate the handling of milk in the Wichita marketing area on the ground that sufficient evidence supported the Secretary's ruling. The court indicated that the extent or effect of interstate commerce was a matter for determination by the Secretary if supported by sufficient evidence and that there was no specific percentage of interstate commerce necessary in order to establish jurisdiction.

U. S. v. Telling Belle Vernon Company et al, 025283 (Cleveland, Ohio - Order No. 75). A District Court issued a mandatory injunction requiring the handler defendants in this case, representing approximately two-thirds of the volume of milk under the Cleveland order, to pay administrative assessments, notwithstanding the fact that the validity of the order was then pending before the same court. Defendants argued irreparable injury but the Government stated that any injury which might be sustained by them was outweighed by the public interest served by the maintenance of the order, which could not be accomplished without the receipt of the necessary revenue for its administration.

II National School Lunch Act

More than 7 million pounds of nonfat dry milk and 6 million pounds of processed Cheddar cheese were purchased and distributed for use in the school lunch program under section 6 of the National School Lunch Act. The nonfat dry milk was used in preparing cooked foods for the lunches in areas where adequate supplies of fluid milk were not available. It also was reconstituted in such areas and served as a beverage, furnishing needed milk nutrients to the children's diets. The cheese aided in meeting the protein needs in the lunches.

III Dairy Price-Support Programs

Dairy prices in the early summer months when production is heavy and when dairy products are placed in storage, are influenced a good deal by the trade's estimates of what general economic conditions will be during the subsequent out-of-storage winter months. Because of high milk production, and uncertainties concerning future domestic and export market developments, dairy prices declined sharply in the spring months of 1947. Preparations were made for possible needed price supports to assure returns to producers for milk and butterfat of at least 90 percent of parity, pursuant to the Steagall Amendment. As part of this program, price-support purchases of nonfat dry milk, started in March 1947, and were continued through August 1947. Carlot purchases were made by CCC from manufacturers and handlers at 10 cents per pound for spray and 9 cents for roller nonfat dry milk. Purchases during July and August totaled 47 million pounds. Prices for nonfat dry milk and other dairy products increased and no further dairy support activities were necessary during the year.

Milk production during the fiscal year was 3 percent less than a year earlier and the lowest in 7 years. The lower production was primarily the result of the short 1947 feed grain crop. Domestic demand for milk and its products was greater than ever before. Some dairy products were exported. Prices to producers for milk averaged well above parity.

All of the 207 million pounds of nonfat dry milk acquired under the price-support program, from March 1947 through August 1947, was sold at no loss by CCC to the U. S. Army, United Nations International Emergency Children's Fund, State Department, and other agencies for export to liberated areas and for foreign aid and relief programs.

IV Agricultural Supply Programs

In accordance with the general policy of encouraging commercial export trade, procurement of dairy products for export had been discontinued with respect to foreign countries which were prepared to buy through commercial trade channels. CCC continued to buy dairy products for the United Nations International Children's Emergency Fund and for U. S.-financed foreign relief, aid, and assistance to France, Austria, Greece, Italy, and Trieste. Evaporated milk, sweetened condensed milk, dry whole milk, and nonfat dry milk purchased specifically for these purposes totaled 82,000 tons during the fiscal year. This was in addition to the price-support nonfat dry milk supplied for such programs.

Export and import controls on butter were continued by the Office of International Trade of the Department of Commerce in view of the general world shortage of fats and oils and the urgent needs for these products in Europe. Assistance was rendered to that office in furnishing estimates of supplies and reviewing developments and advisable actions in that connection.

The Branch, on behalf of the Commodity Credit Corporation, participated in the development and approval of agreements to purchase dairy products on a competitive bid basis in the open market, for shipment under various foreign relief programs.

V Foreign Assistance Act of 1948

Assistance was rendered to the Department of State and the Economic Cooperation Administration in analyzing European requirements for dairy products and in planning and developing related background data for inclusion in proposed legislative programs on foreign assistance which were being submitted to and considered by Congress. Particular emphasis was devoted to the development of recommendations concerning anticipated supplies that could be made available for export without serious effects on domestic prices and consumption.

VI Market News Service

New Offices: New offices were established at Cleveland, Ohio; St. Louis, Mo; and Madison, Wis. Amendment of the Ohio cooperative market news agreement added Columbus as a Federal-State office. Dairy and poultry market reports are now issued from 28 offices.

New Services: Service in existing offices was extended as follows:

1. A full-time dressed poultry market reporter was added to the staff in New York.
2. At Atlanta, reporting was extended to dressed poultry and to local wholesale prices of cream used primarily for ice cream.
3. The Chicago office added turkeys to its poultry list, which covers receipts at about 225 primary markets in 17 Midwest States.
4. Arrangements were completed for weekly reports on carlots of eggs and butter moving into the Pacific Coast area from the Midwest.
5. Radio and press outlets were further expanded. Through cooperation with the Information Branch, the Associated Press and United Press at New York are supplied with condensed market reports which in turn reach over 100 radio stations in the New York and New England areas. Towards the end of the year Western Union at New York was exploring the use of PMA market reports to replace the commercial reports currently used for the CND (commercial news dispatch) service.

6. Teletype system was extended to New Orleans.

Discontinued Services: The report covering the Washington, D. C., market was discontinued this year owing to lack of funds.

Baltimore, Md.: A new cooperative agreement with the Maryland State Department of Agriculture providing for increased State participation was prepared.

Special Information: The Madison, Wis., office is preparing special reports on monthly averaged prices for certain milk condenseries listed in the Chicago milk order, and similar reports on cheese prices at the Wisconsin Cheese Exchange.

VII Inspection and Grading

The Inspection and Grading Program was carried forward during the year. The quantities of dairy and poultry products inspected or graded during the fiscal year 1948, as compared with quantities during the fiscal years 1946 and 1947 are shown in table 3.

Dairy Products: Increased activities and interest in the Federal grading and grade certification of butter during the year was manifested by adoption of this program by several additional firms, including one large chain store company operating on a Nation-wide basis.

The Federal grading of butter on the New York terminal market was considerably expanded during the period mainly because of an amendment of the New York Mercantile Exchange rules to provide for accepting Federal certificates as a basis for trading. At present practically all sales of butter over the Exchange are covered by Federal certificates.

PMA instructions governing USDA continuous inspection in cheese processing plants were issued in August 1946. Several cheese processing plants in the Midwest area are now operating successfully under this program. Similar instructions for all types of dairy plant operations are being studied.

The volume of dairy products graded for delivery on Government contracts, especially nonfat dry milk solids and process cheese, was less than during the fiscal year 1947. Several buyers for foreign governments continued to use the USDA inspection service as a basis for purchasing dry milk, cheese, and evaporated and sweetened condensed milk.

Poultry Products: Revised instructions were issued to graders and inspectors outlining the procedures and techniques to be employed in grading and inspecting of eggs in their various forms.

Numerous firms applied for the privilege of identifying consumer packages of shell eggs with Federal grade, and several firms began to label officially graded New York dressed broilers and fryers with U. S. grades.

Turkey and egg grading schools were conducted in many States for the purpose of training graders and packers in the application of U. S. grades for poultry and eggs.

Revisions of the instructions for the post-mortem inspection of rabbits and the recommendations as to equipment and plant facilities for inspected rabbits were prepared.

The research activities of the Washington Pathological Laboratory were expanded.

Arrangements were made authorizing regional offices to approve plant labels utilized in connection with our inspection services. This has expedited action when requests relating to plant labels are received from firms.

Consideration is being given to the acceptance of poultry inspected by the Canadian Government as well as provisions for the acceptance of U. S. inspected poultry by certain foreign governments.

VIII Standardization

The increasing interest in quality improvement has been accompanied by a need for uniform standards for milk, cream, and other dairy products, in addition to those already in effect for butter, cheese, and dry milks. Development of Federal standards in cooperation with the many State and industry organizations is a means of coordinating efforts in this respect. As an aid in developing such standards, plans were made for comprehensive studies of the available and needed additional information on the various factors affecting quality of milk and its products, as well as the measures and controls of quality. Meanwhile specifications for dairy products purchased by CCC for various purposes were reviewed and revised.

Cream quality-improvement programs, started as part of a voluntary wartime conservation program, continued in operation in a number of States. They involved the grading of cream, paying differential prices for cream of different quality, and coordinating the deliveries of cream from farms to stations to processing plants. These voluntary programs were operated by local dairy organizations, in cooperation with State agencies, with approval of the Production and Marketing Administration, pursuant to an interpretation of the Department of Justice that voluntary participation by the dairy industry would not be considered in violation of anti-trust laws. The programs were reviewed and clarification of the policy of the Department of Justice was requested, with a view toward further participation and extension of this type of program in the interest of quality improvement.

Table 1. - Estimated number of producers, estimated volume of pooled milk, and estimated total value of pooled milk at basic butterfat test, in fluid milk markets under marketing agreement programs, July 1, 1947 to June 30, 1948

Market	:Basic :butter- :fat :test	: Estimated : number of : producers	: Estimated : annual : volume of : pooled milk	: Estimated : value of : pooled milk : at basic tes
	Percent	Number	1,000 lb.	Dollars
Boston, Mass. (201-210 mile zone)	: 3.7 :	13,022	: 1,253,427	: 63,260,414
Chicago, Ill. (70-mile zone)	: 3.5 :	19,079	: 2,886,718	: 127,380,443
Cincinnati, Ohio	: 4.0 :	5,108	: 313,034	: 14,956,591
Cleveland, Ohio	: 3.5 :	7,842	: 568,098	: 27,152,793
Clinton, Iowa	: 3.5 :	147	: 14,253	: 651,178
Columbus, Ohio	: 3.5 :	2,322	: 181,051	: 8,673,701
Dayton-Springfield, Ohio	: 3.5 :	2,773	: 197,986	: 9,360,522
Dubuque, Iowa	: 3.5 :	203	: 25,620	: 1,074,773
Duluth-Superior, Minn.-Wis.	: 4.0 :	1,240 ^{1/}	: 80,680	: 3,922,231
Fall River, Mass.	: 3.7 :	234	: 29,356 ^{2/}	: 1,792,696
Fort Wayne, Ind.	: 4.0 :	913	: 64,940	: 3,198,678
Kansas City, Kans.-Mo.	: 3.8 :	2,279	: 223,129	: 10,596,872
Louisville, Ky.	: 3.8 ^{3/} :	1,731	: 194,477	: 9,551,501
Lowell-Lawrence, Mass.	: 3.7 :	910	: 82,717	: 4,703,788
Minneapolis-St. Paul, Minn.	: 3.5 :	5,477	: 605,581	: 26,574,023
Nashville, Tenn. ^{4/}	: 4.0 :	617	: 49,722	: 2,815,442
New Orleans, La. (61-70 mile zone)	: 4.0 :	2,253	: 168,739	: 9,137,171
New York, N. Y. (201-210 mile zone)	: 3.5 :	45,270	: 5,497,617	: 264,197,247
Omaha-Council Bluffs, Nebr.-Iowa	: 3.8 :	2,391	: 131,198	: 6,297,000
Paducah, Ky. ^{5/}	: 4.0 :	178	: 6,658	: 351,540
Philadelphia, Pa.	: 4.0 :	9,035	: 965,573	: 51,568,324
Quad Cities, Ill.-Iowa ^{6/}	: 3.5 :	1,308	: 49,397	: 2,038,683
Grade A	: 3.5 :	442	: 28,798	: 1,383,839
Non-Grade A	: 3.5 :	856	: 25,691	: 1,045,900
St. Louis, Mo.	: 3.5 :	3,294	: 338,552	: 16,558,595
Sioux City, Iowa	: 3.5 :	494	: 30,632	: 1,417,507
South Bend-La Porte, Ind. ^{7/}	: 3.5 :	775	: 76,513	: 3,396,871
Suburban Chicago, Ill. (70-mile zone):	:	:	:	:
Grade A	: 3.5 :	626	: 86,289	: 3,915,556
Grade B	: 3.5 :	2,160	: 173,819	: 7,566,895
Toledo, Ohio	: 3.5 :	2,050	: 142,613	: 6,776,084
Topeka, Kansas ^{8/}	: 3.8 :	316	: 29,618	: 1,391,074
Tri-State: (Ky., Ohio, & W. Va.)	:	:	:	:
Huntington District Plants	: 3.5 :	608 ^{1/}	: 48,111	: 2,430,809
Other than Huntington Dist. Plants	: 3.5 :	747 ^{1/}	: 57,867	: 2,828,967
Wichita, Kansas	: 3.8 :	504	: 51,966	: 2,597,170
Total	:	: 137,204	: 14,680,440	: 700,564,878

^{1/} 10-month average. ^{2/} 11-month total. ^{3/} Changed from 4.0% to 3.8% effective October 1. ^{4/} Order effective November 16; pricing provisions effective December 1. ^{5/} Order effective January 1. ^{6/} Order was amended to determine two separate uniform prices. ^{7/} La Porte County, Ind., order merged with St. Joseph County, Ind., order effective December 1. Now known as South Bend-La Porte, Ind. ^{8/} Order effective January 1 to supersede agreement.

Compiled by the Dairy Branch, PMA, from reports of the market administrators.

Table 2.--Purchases of dairy products by the U. S. Department
of Agriculture, fiscal year ended June 30, 1948.

Program and product	Unit	Quantity	Purchase cost 1/ Dollars
<u>School lunch:</u>			
Processed Cheddar cheese	Lb.	6,412,500	2,814,064.82
Nonfat dry milk	Lb.	7,358,000	1,170,741.00
<u>Price support:</u>			
Nonfat dry milk	Lb.	47,205,442	4,540,905.07
<u>General supply program:</u>			
Nonfat dry milk	Lb.	40,804,690	5,744,837.30
Evaporated milk	Cases	2,441,775	12,993,989.24
Sweetened condensed milk	Cases	80,000	660,391.02
Dry whole milk	Lb.	14,248,014	6,134,915.88

1/ Total purchase price, excluding storage and transportation costs
incurred by CCC.

Table 3.--Comparative statement of inspections and/or gradings on dairy and poultry products during the fiscal years 1946, 1947, and 1948.

Commodity	Unit	Quantity inspected and/or graded during fiscal years		
		1946	1947	1948 1/
Butter	Lb.	182,928,078	166,871,675	238,064,000
Cheese	Lb.	200,954,097	160,399,763	117,825,000
Eggs	Cases	10,938,374	12,633,547	13,618,000
Poultry (Shipping point and terminal market)	Lb.	178,554,213	154,039,125	162,500,000
Dressed poultry (Inspected for condition and wholesomeness)	Lb.	241,964,074	228,408,301	252,576,000
Live poultry	Lb.	166,322	1,267,363	1,975,000
Dressed turkeys	Lb.	98,448,429	92,814,568	101,500,000
Frozen eggs	Lb.	37,569,024	92,588,259	50,500,000
Dry milk	Lb.	250,201,097	353,846,059	215,050,000
Evaporated milk	Cases	11,636,280	8,164,523	5,024,000
Dried eggs	Lb.	69,032,214	126,693,876	36,500,000
Butter oil	Lb.	306,482	none	none
Processed eggs	Lb.	438,677,380	676,662,174	295,286,825

1/ Partly estimated.

